Abstract
Using a national sample of Urban Household Surveys, we document several profound changes in China’s wage structure during a period of rapid economic growth. Between 1992 and 2007, the average real wage increased by 202%, accompanied by a sharp rise in wage inequality. Decomposition analysis reveals 80% of this wage growth to be attributable to higher pay for basic labor, rising returns to human capital, and increases in the state-sector wage premium. By employing an aggregate production function framework, we account for the sources of wage growth and wage inequality amid fast economic growth and transition. We find capital accumulation, skill-biased technological change, and rural-urban migration to be the major forces behind the evolving wage structure in urban China. (JEL: J31, E24, O40)